

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS	)	
ADJUSTMENT FILING OF DELTA	)	CASE NO. 9331-N
NATURAL GAS COMPANY, INC.	)	

INTERIM ORDER

On December 19, 1985, the Commission issued its Order in Case No. 9331 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a quarterly basis in accordance with the provisions of the Gas Cost Adjustment ("GCA") Clause set forth therein.

On March 31, 1989, Delta Natural Gas Company, Inc. ("Delta") filed its quarterly GCA, which is to become effective May 1, 1989 and is to remain in effect until August 1, 1989.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Delta's notice of March 31, 1989 set out certain revisions in rates which Delta proposed to place into effect, said rates being designed to pass on the overall wholesale decrease in gas costs from its suppliers in the amount of 18.31 cents per Mcf, excluding take-or-pay billings.

(2) Delta's notice set out an expected gas cost ("EGC") of \$3.0673 per Mcf. This amount includes recovery of take-or-pay billings. In a response filed March 28, 1989, Delta commented on the rationale for its present recovery methodology which bills retail sales customers only, as well as the appropriateness of

recovery methodologies approved for other gas utilities as applied to Delta's particular situation.

Delta stated that including off-system transportation customers (who have never been Delta sales customers) in take-or-pay recovery would be inappropriate. The Commission agrees that these customers are not responsible for the incurrence of take-or-pay liability and should not be billed for such charges.

Delta also stated that on-system transportation customers (former sales customers who have converted to transportation) made no significant contribution to take-or-pay expenses and that most of the deficiencies in pipeline purchases were caused by the effects of conservation and weather patterns on Delta's residential and commercial sales customers.

The Commission is not convinced that on-system transportation customers have a complete lack of impact. There is no guarantee that future conversion of industrial sales customers to on-system transportation will not result in significant incurrence of take-or-pay liability. It is, therefore, the Commission's decision to require Delta to include on-system transportation customers in billing of take-or-pay charges. This decision is consistent with the Commission's previously approved take-or-pay methodology for other gas utilities.

(3) Delta should calculate a take-or-pay recovery component, to be added to its EGC and its on-system transportation rates, by dividing annualized take-or-pay charges (Columbia's most recent monthly charge multiplied by 12 and Tennessee's most recent

monthly charge multiplied by 6) by 12 months' Mcf sales and on-system transportation volumes. In the instant case, the Commission has calculated the recovery component as: \$158,616 T-O-P billings + (3,805,869 sales Mcf plus 943,881 on-system Mcf) = \$.0334 per Mcf.

This amount reduces the amount of Delta's EGC from \$3.0673 to \$3.0223; the gas cost recovery rate is reduced to \$3.1352 from \$3.1468.

(4) Delta should calculate any over-recovery of take-or-pay billings from its retail sales customers based on the approved recovery methodology contained herein, to be returned to its sales customers by way of its next actual adjustment. The same amount should be billed to its on-system transportation customers by increasing the next take-or-pay recovery component for those customers by an amount sufficient to collect it.

(5) Delta should file an amendment to its on-system transportation tariff to reflect the effect of take-or-pay recovery methodology on these customers.

(6) Delta's notice set out a total refund adjustment of 2.20 cents per Mcf, replacing the previous adjustment of 2.54 cents per Mcf.

(7) Delta's notice set out a current quarter actual adjustment in the amount of 10.46 cents per Mcf to compensate for previous under-recovery of gas cost by the company through the operation of its gas cost recovery procedure.

(8) Delta's notice set out a balance adjustment of .31 cents per Mcf to compensate for over-collections, which occurred as a result of previous gas cost, refund, and balance adjustments.

(9) Delta proposed a gas cost recovery rate in the amount of \$3.1468 per Mcf. Due to recalculation of take-or-pay recovery, this amount should be \$3.1352 per Mcf. This is a decrease of \$0.0832 per Mcf from the rate previously in effect. The decrease represents the combined effect of the supplier decrease, refund, actual, and balance adjustments.

(10) Delta's corrected adjustment in rates contained in the Appendix to this Order is made pursuant to the GCA provisions approved by the Commission in its Order in Case No. 9331 dated December 19, 1985 and should be approved to be effective with final meter readings on and after May 1, 1989.

(11) In Delta's filing dated March 31, 1989, Delta requested confidentiality for Schedule VI. Confidentiality will be granted on an interim basis pending the Commission's review of all gas supply confidentiality requests.

IT IS THEREFORE ORDERED that:

(1) The rates in the Appendix to this Order, attached and incorporated hereto, are fair, just, and reasonable and are hereby approved effective with final meter readings on and after May 1, 1989.

(2) The gas cost recovery rate shall be \$3.1352 per Mcf effective with final meter readings on and after May 1, 1989.

(3) Within 30 days of the date of this Order, Delta shall file with this Commission its revised tariffs setting out the rates authorized herein, as well as its amended on-system transportation tariff.

(4) In every future filing, Delta shall use the take-or-pay recovery methodology approved herein, and shall adjust the components of its next filing to return over-collections of take-or-pay charges to its sales customers and bill them to on-system transportation customers.

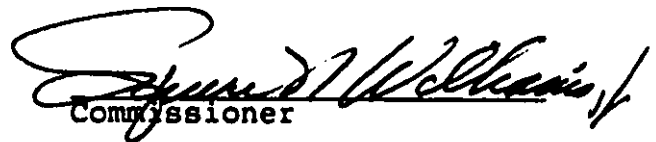
(5) Delta's request for confidentiality is hereby granted on an interim basis pending the Commission's final decision.

Done at Frankfort, Kentucky, this 1st day of May, 1989.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

\_\_\_\_\_  
Executive Director

## APPENDIX

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9331-N DATED 5/01/89

The following rates and charges are prescribed for the customers served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

#### RATE SCHEDULES

##### AVAILABILITY

Available for general use by residential, commercial, and industrial customers who purchase their entire natural gas requirements from Delta.

##### RATES

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
	plus		equals
General Service			
Monthly Customer Charge			\$3.98
1 - 1,000 Mcf	\$2.0379	\$3.1352	\$5.1731 per Mcf
1,001 - 5,000 Mcf	1.8920	3.1352	5.0272 per Mcf
5,001 - 10,000 Mcf	1.5858	3.1352	4.7210 per Mcf
Over 10,000 Mcf	1.2795	3.1352	4.4147 per Mcf
Interruptible (2)			
1 - 1,000 Mcf	\$1.7826	\$3.1352	\$4.9178 per Mcf
1,001 - 5,000 Mcf	1.6368	3.1352	4.7720 per Mcf
5,001 - 10,000 Mcf	1.3306	3.1352	4.4658 per Mcf
Over 10,000 Mcf	1.0243	3.1352	4.1595 per Mcf
Transportation of Gas for Others			
On-System Utilization			

To the applicable rates and charges in effect for on-system transportation customers shall be added a take-or-pay recovery component of \$.0334 per Mcf.